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United States General Accounting Office

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GAO

Report to the Sergeant at Arms,
U.S. Senate

December 1985

FINANCIAL AUDIT

Senate Recording and Photographic Studios Revolving Fund FY 1985 and 1984



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Accounting and Financial
Management Division

B-199745

December 18, 1985

The Honorable Ernest E. Garcia
Sergeant at Arms
United States Senate

Dear Mr. Garcia:

Pursuant to your predecessor's February 22, 1985, request, we have examined the balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1985 and 1984, and the related statements of operations and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on June 14, 1985.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1985 and 1984, and the results of its operations and the changes in its financial position for the fiscal years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

Appendix I contains our report on internal accounting controls and compliance with laws and regulations. Appendixes II through V present the Fund's financial statements and accompanying notes for the fiscal years ended March 31, 1985 and 1984.

Sincerely yours,



for/

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the fiscal years ended March 31, 1985 and 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended March 31, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended March 31, 1984, is presented in GAO/AFMD-85-7, dated October 23, 1984.)

We did not complete a study and evaluation of the Fund's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Rather, we concluded that it was more efficient to expand our substantive audit tests in examining and making the determinations necessary to express an opinion on the financial statements for the fiscal years ended March 31, 1985 and 1984.

While we did not study and evaluate the Fund's internal control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the Senate Recording and Photographic Studios Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Revolving Fund Balance Sheet

	Fiscal years ended March 31,	
	1985	1984
Assets		
Current Assets		
Cash in U.S. Treasury	\$ 819,713	\$ 821,423
Accounts receivable (note 2)	101,356	64,801
Inventory of materials and supplies, at cost	32,083	37,608
Total current assets	953,152	923,832
Fixed Assets		
Equipment (note 3)	1,555,785	1,431,898
Less accumulated depreciation	1,021,755	913,800
Total equipment	534,030	518,098
Recording Studio facilities	531,896	531,896
Less accumulated depreciation	389,395	362,800
Total facilities	142,501	169,096
Tools and minor equipment	750	750
Total fixed assets	677,281	687,944
Total Assets	\$1,630,433	\$1,611,776
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$46,858	\$6,321
Government Equity		
Capital contributed	183,619	183,619
Revolving fund:		
Balance, beginning of year	1,421,836	1,346,144
Net income (loss)	(21,880)	75,692
Balance, beginning of year	1,399,956	1,421,836
Total government equity	1,583,575	1,605,455
Total Liabilities and Government Equity	\$1,630,433	\$1,611,776

The accompanying notes are an integral part of this statement.

Revolving Fund

Statement of Operations

Fiscal Years Ended March 31, 1985 and 1984

	Total	
	FY 1985	FY 1984
Revenue		
Sales	\$307,805	\$342,720
Expenses		
Radio, television, and photographic materials	116,419	124,788
Satellite transmission	6,845	0
Maintenance and repairs	68,432	19,094
Maintenance supplies	518	402
Office supplies and miscellaneous	2,817	1,790
Outside processing of film	138	79
Depreciation of equipment	108,266	96,074
Depreciation of recording studio facilities	26,595	26,595
Total expenses	330,030	268,822
Income (Loss) from Operations	(22,225)	73,898
Other Income		
Income from silver recovery	345	924
Gain on disposal of equipment	0	870
Total other income	345	1,794
Net Income (Loss)	\$(21,880)	\$ 75,692

**Appendix III
Revolving Fund
Statement of Operations
Fiscal Years Ended March 31, 1985 and 1984**

Recording Studio				Photographic Studio	
Radio		Television			
FY 1985	FY 1984	FY 1985	FY 1984	FY 1985	FY 1984
\$60,893	\$81,745	\$153,031	\$174,259	\$93,881	\$ 86,716
29,060	31,636	23,356	28,269	64,003	64,883
0	0	6,845	0	0	0
1,491	603	60,507	12,735	6,434	5,756
259	201	259	201	0	0
1,003	358	1,003	358	811	1,074
0	0	0	0	138	79
6,879	7,245	65,596	58,712	35,791	30,117
13,297	13,298	13,298	13,297	0	0
51,989	53,341	170,864	113,572	107,177	101,909
8,904	28,404	(17,833)	60,687	(13,296)	(15,193)
0	0	0	0	345	924
0	175	0	695	0	0
0	175	0	695	345	924
\$ 8,904	\$28,579	\$(17,833)	\$ 61,382	\$(12,951)	\$(14,269)

The accompanying notes are an integral part of this statement.

Revolving Fund

Statement of Changes in Financial Position

	Fiscal years ended March 31,	
	1985	1984
Funds Provided		
Net income	\$ 0	\$ 75,692
Provision for depreciation	134,861	122,669
Increase in accounts payable	40,537	552
Decrease in inventory of materials and supplies	5,525	0
Total funds provided	180,923	198,913
Funds Applied		
Net loss	21,880	0
Increase in accounts receivable	36,555	4,958
Increase in inventory of materials and supplies	0	7,828
Equipment additions	124,198	81,842
Total funds applied	182,633	94,628
Increase (Decrease) in Cash	\$ (1,710)	\$104,285

The accompanying notes are an integral part of this statement.

Revolving Fund

Notes to Financial Statements

Fiscal Years Ended March 31, 1985 And 1984

Note 1. Significant Accounting Policies

The Senate Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The studio, operated by the Sergeant at Arms and Doorkeeper of the Senate under the direction and control of the Senate Committee on Rules and Administration, provides radio and television taping services to the Vice President, senators, and Senate committees. The charges for these services are set by the Committee on Rules and Administration.

The Senate Photographic Studio was established pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The studio, operated by the Sergeant at Arms and Doorkeeper of the Senate subject to the approval of the majority and minority leaders, provides photographic services to Senate members and committees. The majority and minority leaders have approved a fee schedule for these services.

The Senate Recording Studio was changed to the Senate Recording and Photographic Studios pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The studios are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in a revolving fund in the U.S. Treasury and are available for the operation of the studios.

The statement of operations for fiscal year 1985 does not include employee salaries, which were \$611,410 for the recording studio (\$574,299 for the fiscal year ended March 31, 1984) and \$338,847 for the photographic studio (\$310,523 for the fiscal year ended March 31, 1984), employee benefits, or certain other benefits or services, such as space, building repairs and maintenance, and utilities. These expenses are paid from appropriated funds and are neither recorded in the studios' accounting records nor charged to the revolving fund.

Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.

Equipment in the recording studio is depreciated over a 10-year life, and equipment in the photographic studio is depreciated over a 5-year life. Recording studio facilities are depreciated over a 23-year life. Both studios use the straight-line method.

Note 2. Accounts Receivable Accounts receivable amounted to \$101,356 (recording studio, \$72,041; photographic studio, \$29,315) on March 31, 1985—an increase of \$36,555 from the amount receivable on March 31, 1984. An analysis of the ages of the accounts receivable on March 31, 1985 and 1984, follows.

Table V.1: Aging of Accounts Receivable

	March 31, 1985		March 31, 1984	
	Amount	Percent	Amount	Percent
Recording Studio				
Days outstanding				
01 through 60	\$61,197	84.9	\$34,901	83.5
61 through 90	4,361	6.1	3,940	9.4
91 through 120	2,827	3.9	1,092	2.6
over 120	3,656	5.1	1,894	4.5
Total	72,041	100.0	41,827	100.0
Photographic Studio				
Days outstanding				
01 through 60	12,902	44.0	15,598	67.9
61 through 90	4,275	14.6	1,390	6.1
91 through 120	2,783	9.5	1,745	7.6
over 120	9,355	31.9	4,241	18.4
Total	29,315	100.0	22,974	100.0
Total accounts receivable	\$101,356		\$64,801	

As of June 1, 1985, \$50,164, or about 70 percent, of the recording studio's accounts receivable balance had been paid, and \$16,067, or about 55 percent, of the photographic studio's accounts receivable balance had been paid.

The recording studio writes a monthly letter to the Senate Sergeant at Arms listing all senators with outstanding accounts of \$1,000 or more. This is in accord with the policy established by the Senate Committee on Rules and Administration.

Note 3. Equipment

A summary of the changes in the equipment account for the fiscal years ended March 31, 1985, and March 31, 1984, follows.

Appendix V
 Revolving Fund
 Notes to Financial Statements
 Fiscal Years Ended March 31, 1985 And 1984

Table V.2: Changes in Equipment

	Recording Studio			Photographic Studio	Total
	Television	Radio	Office		
Balance March 31, 1983	\$1,113,050	\$70,757	\$20,839	\$172,909	\$1,377,555
Additions	76,309	4,328	616	589	81,842
Reductions	(25,593)	(1,754)	0	(152)	(27,499)
Balance March 31, 1984	1,163,766	73,331	21,455	173,346	1,431,898
Additions	87,650	266	14,200	22,082	124,198
Reductions	(311)	0	0	0	(311)
Balance March 31, 1985	\$1,251,105	\$ 73,597	\$35,655	\$195,428	\$1,555,785



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